

SENATE RECORD VOTE ANALYSIS

104th Congress
1st Session

Vote No. 178

May 23, 1995, 4:21 p.m.
Page S-7197 Temp. Record

BUDGET RESOLUTION/More Spending Cuts to Pay for Tax Relief

SUBJECT: Senate Concurrent Budget Resolution for fiscal years 1996-2002 . . . S. Con. Res. 13. Gramm substitute amendment No. 1123.

ACTION: AMENDMENT REJECTED, 31-69

SYNOPSIS: As reported, S. Con. Res. 13, the fiscal year 1996 Concurrent Budget Resolution, will reduce projected spending over 7 years to balance the budget by fiscal year (FY) 2002 without increasing taxes. Savings that will accrue from lower debt service payments (an estimated \$170 billion) will be dedicated to a reserve fund, which may be used for tax reductions after enactment of laws to ensure a balanced budget. Highlights include the following: the rate of growth in Medicare will be slowed to 7.1 percent; Medicaid's rate of growth will be slowed to 5 percent and it will be transformed into a block grant program; the Commerce Department and more than 100 other Federal programs, agencies, and commissions will be eliminated; welfare and housing programs will be reformed; agriculture, energy, and transportation subsidies will be cut; foreign aid will be cut; defense spending will be cut and then allowed to increase back to its 1995 level; and Social Security will not be altered.

The Gramm substitute amendment would slow the rate of growth of Government spending to 3 percent per year (instead of the 3.3 percent that will be allowed in the resolution) by reducing nondefense discretionary spending and by accelerating the proposed reductions in the rate of Medicaid. The 7-year savings of \$142 billion, plus the \$170 billion fiscal dividend, would be used to pay for the following:

- a \$500-per-child tax credit;
- a phasing out of the marriage tax penalty;
- a capital gains tax rate cut of 50 percent, with the rate indexed to inflation thereafter;
- estate tax relief for small businesses and small farms;
- greater expensing for small businesses;
- an expansion of the right to have individual retirement accounts, including for spouses who work at home;
- a deduction with a credit for expenses for adopting a child;

(See other side)

YEAS (31)		NAYS (69)			NOT VOTING (0)	
Republicans (31 or 57%)	Democrats (0 or 0%)	Republicans (23 or 43%)	Democrats (46 or 100%)		Republicans (0)	Democrats (0)
Abraham	Hutchison	Bond	Akaka	Inouye		
Ashcroft	Inhofe	Burns	Baucus	Johnston		
Bennett	Kempthorne	Chafee	Biden	Kennedy		
Brown	Kyl	Cochran	Bingaman	Kerrey		
Campbell	Lott	Cohen	Boxer	Kerry		
Coats	Lugar	D'Amato	Bradley	Kohl		
Coverdell	Mack	DeWine	Breaux	Lautenberg		
Craig	McCain	Domenici	Bryan	Leahy		
Dole	McConnell	Gorton	Bumpers	Levin		
Faircloth	Nickles	Grassley	Byrd	Lieberman		
Frist	Roth	Gregg	Conrad	Mikulski		
Gramm	Santorum	Hatfield	Daschle	Moseley-Braun		
Grams	Shelby	Jeffords	Dodd	Moynihan		
Hatch	Smith	Kassebaum	Dorgan	Murray		
Helms	Thompson	Murkowski	Exon	Nunn		
	Thurmond	Packwood	Feingold	Pell		
		Pressler	Feinstein	Pryor		
		Simpson	Ford	Reid		
		Snowe	Glenn	Robb		
		Specter	Graham	Rockefeller		
		Stevens	Harkin	Sarbanes		
		Thomas	Heflin	Simon		
		Warner	Hollings	Wellstone		
					EXPLANATION OF ABSENCE:	
					1—Official Business	
					2—Necessarily Absent	
					3—Illness	
					4—Other	
					SYMBOLS:	
					AY—Announced Yea	
					AN—Announced Nay	
					PY—Paired Yea	
					PN—Paired Nay	

- a rise in the Social Securities earning threshold; and
- a partial tax credit for expenses for caring for an elderly person at home.

These tax relief provisions could be passed as part of the reconciliation bill to reduce spending and balance the budget as detailed in this budget resolution. They could not be passed prior to the passage of reconciliation language, because their ultimate size would depend upon Congressional Budget Office (CBO) scoring of the reconciliation bill, or of the conference report, if any. The \$312 billion in tax relief that the Gramm amendment would provide is an estimate of the savings that would accrue in addition to the savings necessary to balance the budget by fiscal year 2002 (this \$312 billion includes the additional \$142 billion in savings from the Gramm amendment).

Those favoring the amendment contended:

Last September, Republican candidates for the Senate gathered at the Capitol to pledge that they would pursue certain goals if they were elected as part of a new Republican majority in the Senate. Those goals included balancing the budget, but they also included the enactment of a tax exemption for children, the reestablishment of individual retirement accounts for families, the reduction of the capital gains tax rate, and the repeal of the Social Security earnings test. One week later, House candidates gathered at the Capitol to make a similar, though more famous pledge called the Contract With America. These pledges resonated with the American people, who turned out in large numbers in the November elections to turn out entrenched Democratic incumbents, handing over control of both Houses of Congress to the Republicans. Republicans are now honor-bound to live up to their part of the bargain. House Republicans have met the challenge, but the Senate's budget resolution falls disappointingly short. It meets the balanced budget test, but it fails the tax relief test. The Gramm amendment would fix this shortcoming.

The Senate budget resolution will generate a \$170 billion surplus from balancing the budget, but it fails to dedicate that surplus for tax reduction. It may be used for that purpose, but it may not be. The House budget, in contrast, will generate an equivalent surplus that will be used for tax relief. Further, it will cut the rate of increase in nondefense discretionary spending over 7 years by \$175 billion more than will the Senate resolution, and it will use those savings for tax cuts as well. Thus, the House resolution will guarantee more than \$300 billion in tax relief; the Senate bill will guarantee \$0. The Gramm amendment would fix this defect in the Senate budget resolution with two simple steps. First, it would require that the fiscal dividend be used to cut taxes. Second, it would reduce the rate of growth in nondefense discretionary spending from the 3.3 percent that will be allowed in the resolution to 3 percent, for a savings of \$142 billion, and would use those savings for tax relief. This cut, which our colleagues seem to imagine will cause the collapse of the Federal Government, represents just three-tenths of 1 percent of Federal spending. All we are asking of our colleagues is that out of each dollar that the Federal Government is planning on spending, three-tenths of a penny will instead be saved and given back to the American people.

Some Senators have correctly noted that in prior years Congress has enacted tax cuts that were to be paid for with future spending cuts, and those spending cuts have failed to materialize. These Senators, though they may be in favor of tax relief, are understandably wary of the Gramm amendment. However, they need not be. First, the tax cuts are specifically predicated upon the enactment of legislation that will result in a fiscal dividend, as determined by the Congressional Budget Office, and upon enactment of legislation to achieve the additional \$142 billion spending restraint in the Gramm amendment. Second, Senators must admit that the type of proposed spending restraint in entitlement programs that is in this budget resolution is unique, and cannot be fairly compared to the type of phantom spending cuts in the outyears such as Congress has passed in prior years. Third, we think it is fair to suggest that having Republican majorities in both Houses is going to make a large difference this time. Republicans do not view every spending program as sacred; they, unlike Democrats, are willing to exercise real spending restraint.

Other Members oppose tax cuts out of philosophical reasons. For these Senators, every problem can be reduced to a class-warfare argument, and every solution involves the Federal Government taxing the rich to give to the poor. When the rich do not have enough money, they simply call the middle-class rich and take away their money to spend on the poor. The truth is that most of these Senators' efforts to tax the rich really just start out or end up as taxes on the middle class. When these Senators look at the Gramm amendment, they are upset that the \$500 tax credit for each child is not refundable--in other words, they think that people who do not pay any taxes because they are not working should also get an extra \$500 for each of their kids. We respectfully disagree. The Gramm amendment is intended to help out those average Americans who have been overburdened for too long by a behemoth Federal Government. It is not intended to expand the welfare state. Frankly, we are somewhat amazed at some of the comments we have heard from certain of our Democratic colleagues on this child tax credit. These Senators tell us that this credit will not mean very much to most American families; they think \$500 is chump change. The average American household headed by a married couple has an income of about \$50,000 per year. According to a study by Price Waterhouse, if that family has three children its current Federal tax bill is \$4,643. We believe that such an average American family, struggling to take care of its children and at the same time to feed the Federal Government's voracious appetite for money, would be greatly appreciative of a straight \$1,500 off of its tax bill. Similarly, under our current perverse tax code, single taxpayers are treated far more favorably. In other words, if two taxpayers marry, they pay thousands of dollars more in taxes on their combined income as a married couple than they did on the same amount of income when they were single. The Gramm amendment would phase this penalty out. If our colleagues are sincere in wanting to

MAY 23, 1995

VOTE NO. 178

strengthen families and lessen illegitimacy, then they should at least support us on this provision. Unfortunately, they have failed to express even the slightest hint of support for eliminating the marriage penalty.

They have been equally silent on the proposal in the Gramm amendment to eliminate the Social Security earnings test on elderly Americans with less than \$30,000 in income. We would prefer to eliminate the test entirely, and intend to do so eventually, but we are very supportive of this change as a first step. Perhaps our Democratic colleagues are silent because they are embarrassed that they recently (in 1993) voted to increase the taxes collected on Social Security benefits of middle-income retirees. Perhaps they just do not like the idea of the Government collecting less in taxes.

Of great interest to some of our Democratic colleagues, though, is that many of the proposed tax cuts in the Gramm amendment will prove beneficial to wealthy Americans as well, whom they now seem to be defining as anyone who earns more than \$100,000 annually. They are particularly upset that the Gramm amendment would cut the capital gains tax rate and index it to inflation. Horror of horrors, people who invest money and create jobs would be taxed less when they sell their assets. We, though, are not at all bothered by this result, because it will encourage investment and create more jobs. In all our lives, we have yet to be hired by a poor person. If we lower the capital gains tax rate, people with money will be encouraged to spend it on investments instead of on or tax dodges, thousands of new jobs will be created, and profits will be earned. That last part at least should please our colleagues, because profits are taxed. In fact, if it were not for their overriding fear that successful people may be allowed to keep more of the money they have earned, they would be supportive of a capital gains tax cut because in the past such cuts have resulted in so much increased economic activity from the repeated sales of assets that total capital gains tax collections have actually gone up.

When Senators vote on the Gramm amendment, the vote will have nothing to do with whether one favors balancing the budget. Both the underlying resolution and this amendment would achieve that end. Instead, this vote is on whether we are going to go beyond balancing the budget, and make a fundamental shift in Government policy toward a more limited Federal Government, that recognizes that the people themselves are better able to spend their own money than is the Federal Government. We favor that shift, and therefore favor the Gramm amendment.

Those opposing the amendment contended:

Argument 1:

History demands we reject this amendment. Our current mountain of debt exists largely because Congress and Presidents have been willing to call for tax cuts and spending cuts in budget resolutions, and then carry through only on the call for tax cuts. When it comes time to make spending cuts, often in future years long after the promises made in a budget resolution have been made, Members and Presidents often find it too difficult to suggest specific spending cuts to meet the targets. The result of collecting less revenue and spending the same amount of money, of course, is a deficit. Some of us, both Democrats and Republicans, cannot share the optimism of Gramm amendment supporters that this time will be any different. With history as our guide, we urge the rejection of this amendment.

Argument 2:

Americans do not want tax cuts now. Poll after poll has indicated that they want Congress to balance the budget first; they are distrustful of a Congress that promises that it can both balance the budget and cut taxes. When Republicans tell Americans they are going to cut everyone's taxes, many average, working Americans do not believe that the intent is to benefit them; rather, they fear that Republicans are really intent on giving tax breaks to their wealthy friends, no matter how damaging they may be to efforts to balance the budget. The Gramm amendment confirms this fear.

The budget resolution before us already fails the test of fairness. It slashes Medicare, the Earned Income Tax Credit, Medicaid, educational funding, Head Start, health care research, and other needed social spending in its drive to balance the budget. At the same time, though, it does not ask for any sacrifices from defense or the rich; defense spending will continue at its furious Cold War pace, and wealthy Americans will keep all their precious tax loopholes. On the heels of this monstrously unfair budget we have now been presented with the Gramm amendment, which would greatly compound the inequities in the resolution. The Gramm amendment would demand even greater cuts, \$142 billion, in social spending. Defense spending would remain sacrosanct, and no sacrifices would be demanded from rich people. The Gramm amendment would not even pretend to make these cuts in spending on poor and average Americans to cut the deficit; it would make these cuts in order to generate a surplus, which, along with the fiscal dividend, would be given to rich Americans. Though our colleagues claim that the Gramm amendment would help average taxpayers, the fact remains that over half the tax reductions it would provide would go to Americans earning more than \$100,000 annually. The more one earns, the more generous the Gramm amendment's benefits would be. For instance, a taxpayer earning \$350,000 would receive a \$20,000 tax cut from this amendment. Our Republican colleagues tell us they understand why they captured both Houses of Congress in the recent elections, but we just cannot believe that the American people really elected Republicans so they could slash benefits for poor and average Americans and give the money to rich Americans. Therefore, we urge the rejection of the Gramm

amendment.